Anheuser-Busch, Incorporated

Annual Report 1974

Contents

Form 10-K

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) is available to shareholders without charge upon written request to John L. Hayward, Secretary and Treasurer, Anheuser-Busch, Inc., 721 Pestalozzi Street, St. Louis, Missouri 63118.

The Annual Meeting

of shareholders of the company will be held on Wednesday, April 23, 1975, at 10:00 a.m. St. Louis time. A notice of that meeting and proxies on behalf of the management will be sent to the shareholders on or about March 13, 1975.

1974 Report to the Shareholders of Anheuser-Busch, Inc.

The Year at a Glance

Year Ended December 31	1974	1973
Barrels of beer sold	**34,096,893**	29,887,162
Net sales	**$1,413,091,000**	$1,109,707,000
Net income	**64,019,000**	65,577,000
Per share	**1.42**	1.46
Cash dividends	**27,041,000**	27,037,000
Per share	**.60**	.60
All taxes	**463,518,000**	417,706,000
Capital expenditures	**126,463,000**	91,801,000
Depreciation	**45,042,000**	41,059,000

Financial Condition at December 31	1974	1973
Working capital	**$ 139,256,000**	$ 76,261,000
Plant and equipment, net	**622,876,000**	541,236,000
Long-term debt	**193,240,000**	93,414,000
Shareholders equity	**537,762,000**	500,784,000
Per share	**11.93**	11.11
Number of employees	**12,205**	11,962
Number of shareholders	**30,193**	29,463

Sales and Earnings by Quarter

	Sales		Earnings		Earnings Per Share	
	1974	1973	**1974**	1973	**1974**	1973
	(In Thousands)		(In Thousands)			
First	**$ 299,837**	$ 248,919	**$12,571**	$18,385	**$ .28**	$ .41
Second	**348,213**	272,456	**15,684**	18,711	**.35**	.41
Third	**402,119**	291,932	**20,004**	17,877	**.44**	.40
Fourth	**362,922**	296,400	**15,760**	10,604	**.35**	.24
Total Year	**$1,413,091**	$1,109,707	**$64,019**	$65,577	**$1.42**	$1.46

To Our Shareholders

August A. Busch, Jr.

August A. Busch III

February 10, 1975

The year 1974 was marked by acute interaction of inflationary-recessionary forces which caused a decline in our national economy. Nevertheless, Anheuser-Busch achieved the highest sales volume in brewing industry history by selling 34.1 million barrels of our beer products.

Net sales in 1974 reached a record high of $1.4 billion, an increase of 27% over net sales of $1.1 billion last year. However, net income did not parallel sales performance because of the continued high cost of agricultural products and significant increases in the cost of packaging materials. Net income for 1974 was $64.0 million, or $1.42 per share, a decrease of 2.4% from 1973 income of $65.6 million, or $1.46 per share.

Our management objective for 1974 was to return to the quarterly earnings growth trends established prior to 1973 and to preserve our product quality. We began 1974 with an unprecedented level of consumer demand for our superior quality beer products. Early in the year we were faced with constraints on selling prices due to competitive pressures and price controls. The costs of agricultural products used in brewing our beers were at the highest level in our history. Moreover, we recognized the vulnerability of our earnings to abnormal inflationary increases in the cost of packaging materials.

Beer volume sales continued at record levels in the first and second quarters of 1974; however, selling price increases were not sufficient to offset the significantly higher costs of materials. Consequently, earnings in the first six months were less than 1973. Earnings for the third and fourth quarters of 1974 increased substantially over 1973, principally because of continued improvement in beer volume sales, additional price increases and improved productivity.

Price increases for beer in 1974 were at unprecedented high levels and approached the inflationary rate for all consumer goods. In contrast, beer price increases over the last decade averaged approximately 2% per year. We believe our beer still represents a bargain when compared with prices of other consumer goods.

The 1974 average unit cost of agricultural products used in brewing increased more than 50% over 1973. In addition, the 1974 average unit cost of the materials used in packaging our beers increased more than 15%.

Due to the impact of the higher cost of these materials on the company's earnings, material procurement strategies continued to receive concentrated management attention during 1974. The individual and specialized complexities associated with obtaining raw and packaging materials led to establishment of the Raw Materials and Transportation Division. This new division has developed procurement strategies for all commodities, established contract programs with growers, and is investigating a wide range of agribusiness opportunities, all designed to reduce our vulnerability to supply scarcity and cost fluctuations. Many of these programs have been initially successful and should continue to make a major contribution to corporate growth objectives.

In the area of packaging materials, we continued our aggressive procurement programs designed to reduce material costs associated with cans, bottles, and paper and plastic products. One of our objectives is to expand our capability to self-manufacture cans where the economics are favorable. In this regard, Lianco Container Corporation has completed conversion to the Conoweld process, substantially increasing can production capacity. Also, in late 1974, our Metal Container Corporation subsidiary began producing cans at a new plant near our Jacksonville, Florida, brewery.

Despite the availability of additional capacity from the expansion of our Jacksonville brewery and by the capital investment in modernization and expansion programs at our other breweries, we experienced product shortages throughout much of the year. These shortages resulted principally from the high level of consumer demand for Anheuser-Busch beer products.

To provide for continued long-term growth, the company has embarked on an extensive program to expand and modernize operations at existing production locations and to construct new facilities. Present plans call for expenditures exceeding $1 billion for this program over the next five years.

During 1974, our other operating divisions and subsidiaries continued to grow and to make increased contributions to sales and net income. Most notably, the Industrial Products Division continued to set new sales and profit records. The contributions made by these entities to sales and profits are an important component of corporate operations and are vehicles for continued long-term growth. The activities of our other divisions and subsidiaries are discussed in greater detail beginning on page 4 in the "1974 In Review" section of this report.

We experienced no production interruptions during the year as a result of fuel shortages. Most of our breweries have power plants designed to burn alternative fuels and we are increasing fuel oil storage capability at several production facilities. As part of a comprehensive energy conservation program, management regularly reviews performance reports designed to closely monitor energy utilization and to provide a basis for action necessary to reduce energy consumption. In 1974 we reduced energy consumption per unit by 11%, whereas the average total reduction for all United States industry was 6%.

Generally, the year 1974 was a period of labor stability and the same is expected for 1975. Labor agreements with unions, representing the majority of employees in our system of breweries, expire early in 1976.

Equal employment opportunity for all persons — regardless of race, creed, color, sex, religion, national origin or age — continues to be a fundamental company policy. The hiring of handicapped persons is also an important consideration in our employment practices. Affirmative action programs have been established and implemented at all Anheuser-Busch facilities.

We were saddened during the year by the deaths of two members of our Board of Directors — David R. Calhoun, Jr. and Frederic M. Peirce. Mr. Calhoun was Chairman of the Board of St. Louis Union Trust Company and an Anheuser-Busch Board member for over thirty years. Mr. Peirce, a member of the Board since 1964, was Chairman of the Board of General American Life Insurance Company. Both men gave generously of their talents and limitless energy to this company, to their other business interests and to the community.

In August, 1974, Edwin S. Jones, President and Chief Executive Officer of First Union, Inc., was elected a member of our Board of Directors. In January, 1975, Fred W. Wenzel, Chairman of the Board and President of Kellwood Company, was elected to our Board of Directors. Both men bring to our Board a wealth of experience, ability and outstanding records of achievement.

We regard the future both optimistically and realistically. The year ahead promises to be very challenging, and we are prepared for it. A general slowing in the rate of volume growth for the brewing industry was apparent in the latter part of 1974. This trend did not affect Anheuser-Busch as severely as competing brewers, and we anticipate continued sales volume growth in 1975. These expectations are based on a number of key considerations:

- products of incomparable quality
- growth momentum and industry leadership
- dedication, professionalism, and aggressiveness in our marketing programs and wholesaler networks
- broadened and strengthened key management structure
- strong financial position
- detailed, flexible planning and cost control systems

The high level of demand for our products in 1974 reaffirmed our commitment to preserving the quality of our beers. We fully recognize that as long as we continue using premium ingredients and a more labor-intense and extended brewing process than our competitors we can expect higher costs. However, we firmly believe our commitment to superior quality is the key to future growth and strength.

We extend our most sincere thanks to the officers, employees, wholesalers and retailers for their contribution and record-setting achievements in 1974.

To our shareholders we extend an equal measure of appreciation for their continued confidence and support. We pledge to do our utmost to remain worthy of your support and trust in 1975 and the years ahead.

Sincerely,

August A. Busch, Jr.
Chairman of the Board
and Chief Executive Officer

August A. Busch III
President

1974 in Review: Beer Division

Beer sales in 1974 totaled 34,097,000 barrels, an increase of approximately 14% over the 29,887,000 barrels sold in 1973. Sales in 1974 set an all-time brewing industry record and marked the eighteenth consecutive year in which the company has led all competitors.

The following comparative summary shows quarterly beer volume sales for 1974 and 1973:

	Barrels Sold (In Thousands)		
Quarter	1974	1973	Increase
First	7,868	6,827	1,041
Second	8,739	7,393	1,346
Third	9,341	7,756	1,585
Fourth	8,149	7,911	238
	34,097	29,887	4,210

The company's share of brewing industry sales volume was approximately 23% in 1974, up from approximately 21% the year before. The lead over our nearest competitor also grew—from 8,544,000 barrels in 1973 to 11,436,000 barrels — a 2,892,000 barrel increase during 1974.

Gross sales for the Beer Division in 1974 were a record high of $1,671,465,000, an increase of 24% over gross sales of $1,349,581,000 last year.

Gross sales include beer excise taxes collected by the company and paid to federal and state authorities. These taxes amounted to $378,772,000 in 1974 and $333,013,000 in 1973.

Net sales of the Beer Division were $1,292,693,000 compared with $1,016,568,000 in 1973, representing approximately 92% of 1974 consolidated net sales.

A significant milestone was reached in November, 1974, when August A. Busch, Jr., and August A. Busch III officially bunged the 30 millionth barrel of beer produced during the year. The event, which dramatized the high consumer demand for Anheuser-Busch beer products, took place just ten years after the company observed its first 10-million-barrel year. Since that time the company has constructed five new breweries. Today there are nine breweries strategically located throughout the United States.

In order to keep pace with growing consumer demand for the *Budweiser*, *Michelob* and *Busch* brands, the company's capacity expansion program is continuing. In May, 1974, production began in the expanded portion of the Jacksonville, Florida, brewery, adding about 3 million barrels to annual shipping capacity.

A portion of the expansion of our beechwood chip aging capacity was completed in 1974. When fully completed in 1975, this program will increase annual shipping capacity by approximately 3 million barrels. As a result, total annual shipping capacity from all nine breweries will be approximately 38.5 million barrels in 1975.

Capacity additions to meet consumer demand for our beer products in 1976-1977 will come from mini-expansions at several existing breweries and the completion in 1976 of the 3.7-million-barrel brewery in Fairfield, California.

Left, experts at all Anheuser-Busch breweries and an independent testing laboratory participate regularly in beer tasting panels, sampling A-B and competitor's products. Taste panels are cornerstones of the company's quality control program helping to maintain the reputation for quality which has made Anheuser-Busch the world's leading brewer.

Above top, new brewery under construction in Fairfield, California will add 3.7-million-barrels to company's annual shipping capacity when completed in 1976; will strengthen company's ability to serve markets in the West.

Above lower, with nearly 970 wholesalers coast to coast, the Anheuser-Busch distribution network is one of the most extensive and effective for any consumer product.

Beer Division

The record high sales of 1974 strengthened our corporate commitment to preserve the superior quality of Anheuser-Busch beers. Consumers comprehend this commitment in terms of unparalleled value. The company's 1974 marketing programs were designed to capitalize on quality and value. Based on the results, we are convinced that they succeeded.

Budweiser advertising for the year was aimed at the consumer who drinks several brands with no particular favorite, while reinforcing the loyalty of the regular *Bud* drinker. The campaign focused on people who care about values such as craftmanship, skill, personal achievement and pride — translating them directly to the brewing of *Budweiser* through pertinent graphics and the phrase, "Somebody Still Cares About Quality."

The *Budweiser* label, which will be 100 years old in 1976, has become an acknowledged American artform. It continues to be prominent in our advertising and is widely distributed on many popular sales promotion items.

Several *Budweiser* television commercials focused on the world famous Budweiser Clydesdales that have for so many years contributed to the image of the brand. The Clydesdales remain an important promotional element, appearing in parades, horse shows and other public events throughout the United States. A second eight-horse hitch is now available for such appearances, touring the eastern United States from the new Clydesdale Hamlet adjacent to the Merrimack, New Hampshire, brewery.

Michelob sales volume grew dramatically in 1974, stimulated by a new marketing program emphasizing that the super premium brand is always an "Unexpected Pleasure."

Mich VII, *Michelob* in a 7-ounce bottle, was successfully introduced in certain eastern markets in 1974. It will be distributed during 1975 in additional selected markets as increased packaging capabilities become available.

The *Busch* brand, supported by one of the most outstanding quality-oriented advertising campaigns in the industry, continued its excellent growth rate in 1974. The campaign theme, "Busch . . . The Natural One," took pride in offering the consumer a popular priced beer naturally brewed with only natural ingredients, in keeping with the quality tradition of Anheuser-Busch.

Left, laboratory employee at Williamsburg brewery spot checks a filled can of *Budweiser* to insure it contains a full measure of product. All cans are inspected electronically.

The famous Budweiser Clydesdales serve as a constant reminder of the unsurpassed quality of The King of Beers. Hitch based at the new Hamlet in Merrimack, N.H., *above top,* makes appearances in the Eastern United States. In addition to appearances at numerous community events throughout the country, the Clydesdales participate in the Tournament of Roses and other nationally televised parades and festivals.

Industrial Products Division

Sales and profits of the Industrial Products Division continued to set new records in 1974.

This division is a major supplier to the baking industry of quality bakers yeast, liquid sweeteners, frozen eggs, food starches, and other associated products. In addition, the division produces corn syrup and starch for numerous food applications, including the processing of canned and frozen foods and the manufacture of ice cream and candy. The division also markets starch and resin products used in the manufacture of paper, corrugated containers, and textiles.

In 1974, the company became the industry leader in bakers yeast sales. In December, a new yeast plant at Bakersfield, California, began production, enabling the division to expand its marketing and distribution of bakers yeast west of the Rocky Mountains. Strong marketing programs combined with continuing emphasis on product quality, profitability and aggressive cost control programs, have been the key factors in the division's growth in recent years.

The division's research and development group has developed and patented an enzyme for use in producing a high levulose syrup which can be used as a substitute for sugar in many bakery goods, canned and frozen foods, and soft drinks. This new syrup product is a major breakthrough for entering large new markets whose needs had previously been provided by sucrose. Limited production and marketing tests begun in 1974 have produced encouraging preliminary results. Engineering work has begun on a major expansion of the Lafayette, Indiana, corn refining plant as the final step in the feasibility study for this new product.

Research into the isolation of protein from bakers yeast for human consumption and the study of its commercialization potential continued in 1974.

New Bakersfield yeast plant, *left and top above*, is the nation's most modern; will help extend company's position as the leading producer of bakers yeast.

Above lower, new uses for corn products accelerated by inflation and materials shortages keep Lafayette, Indiana plant operating at capacity.

Busch Gardens Division

The Busch Gardens family entertainment division operated profitably in 1974 despite reduced attendance at the Tampa and Los Angeles theme parks. Attendance was off from the record levels of 1973 mainly because of the gasoline shortage early in the year.

Attendance at Busch Gardens-Tampa, although below the 1973 total, showed marked improvement beginning in November, 1974, and that trend has continued into 1975.

Major expansions of the Tampa and Los Angeles parks will be completed this spring. However, the high point of the year will occur in May with the grand opening of the third and newest Busch Gardens, "The Old Country," at Williamsburg, Virginia.

Situated on 300 acres of forested land just east of historic Colonial Williamsburg, "The Old Country" will feature authentic 17th-century European hamlets —"England, France and Germany." Each will be a self-contained family entertainment node complete with exciting rides, shows and themed shops, stores and restaurants. In-park transportation will be as authentic, exotic and varied as the park itself — live steam-powered trains, a sky ride and packet boats on a 60-acre replica of the Rhine River. Between the hamlets, 500 head of elk, deer, bison and other native wildlife will roam freely in the dense woods. A monorail, "Eagle I," will carry visitors to "The Old Country" from the Anheuser-Busch hospitality center. The center opened last spring as a preview center for Busch Gardens, the adjacent "Kingsmill on the James" development, and as a welcoming point for the Williamsburg brewery tour.

The opening of "The Old Country" this spring will coincide with the expected influx of bicentennial visitors to the historic Williamsburg-Jamestown-Yorktown area.

The expansion program at Busch Gardens-Tampa includes a new sky ride over the 200-acre African Veldt, completed in 1974, and a new Moroccan Village main entry complex. The latter features themed shops, stores, restaurants and a theater.

The Los Angeles expansion includes a new trans-park "Sky Trolley" monorail system and "Old St. Louis," a turn-of-the-century themed area inspired by the famed 1904 World's Fair. It will feature a fun house, a penny arcade attraction, a theatre and a restaurant.

The Tampa and Los Angeles expansions, together with the opening of "The Old Country" at Williamsburg, will significantly strengthen the position of the Busch Gardens Division within the family entertainment industry. This will enhance the ability of the division to contribute to corporate growth.

Top two rows, "The Old Country" at Williamsburg, third and newest Busch Gardens, begins to assume character of 17th Century Europe prior to May, 1975, opening. It will be a family entertainment showcase.

Third row, in Tampa Gardens a new Moroccan Village entry complex will enhance the African theme.

Lower row, Los Angeles Gardens will add "Old St. Louis", a new, action packed section.

Busch Properties, Inc.

Busch Properties, Inc., Anheuser-Busch's wholly owned real estate development subsidiary, continued its growth in 1974.

"Kingsmill on the James," the company's planned residential-resort community near Williamsburg, Virginia, was profitable in 1974. The first Kingsmill residents have moved into private homes, Winster fax townhouses and the unique cluster homes of Littletown Quarter.

The first of two planned championship golf courses was completed and opened for play in late 1974. The golf clubhouse is under construction and scheduled for completion in July, 1975.

A community recreation center with swimming, tennis, and children's play facilities has also been completed, as have portions of an extensive pedestrian-bicycle trail system.

Feasibility studies are being conducted for a proposed resort hotel conference center and for a major tennis complex. Progress is continuing on the development of new residential sites and added recreational amenities.

The Virginia Historic Landmarks Commission has completed archeological excavation of several historically significant sites at Kingsmill, and work is continuing on the plantation of Richard Kingsmill, one of America's earliest settlers. Busch Properties has received a prestigious award for its support of this project.

"Busch Corporate Center," the company's business park in Columbus, Ohio, was also profitable in 1974. By the end of 1974, Busch Properties had constructed a total of six buildings in the development. Another ten sites had been sold to other organizations for development purposes, and six other organizations had buildings under construction.

In May, 1974, operational responsibility for the Busch Travel Park campground facility adjacent to Busch Gardens-Tampa was transferred from Busch Properties, Inc., to the Busch Gardens Division. Occupancy trends at the Travel Park have been encouraging.

Left, sunset accents charm and tranquility of living in the Littletown Quarter cluster homes at "Kingsmill on the James". *Above top*, the rich lore and artifacts of 17th Century life at Kingsmill is being preserved by the Virginia Historic Landmarks Commission under a grant provided by Anheuser-Busch. *Above lower*, one of two planned championship golf courses at Kingsmill. Winster fax townhouses are in background.

1974 in Review

Can Manufacturing

The company's can manufacturing operations include Lianco Container Corporation, St. Louis, Missouri, Metal Container Corporation, Jacksonville, Florida, and Apache Container Corporation, St. Paul, Minnesota.

Lianco Container, a joint venture between Anheuser-Busch and Libby, McNeill & Libby, manufactures beer cans and lids for the St. Louis brewery. Lianco completed conversion to the Conoweld process in 1974 and substantially increased its can production capacity and profit.

Metal Container, a wholly owned subsidiary, began can production on a limited basis in the fourth quarter from a new plant near the company's Jacksonville brewery. When this new can plant reaches full capacity in 1975, it will provide approximately 50% of the Jacksonville brewery's annual can requirements.

Apache Container, which produces seamless aerosol containers for consumer products, completed installation of a new can line in 1974. It is anticipated that this added production capability, which is essential to meet requirements of existing customers, will enable Apache to reach a profitable level of operations in the near future.

St. Louis Cardinals

The baseball Cardinals finished in second place in the Eastern Division of the National League in 1974, 1½ games out of first place.

Despite the disappointment of not winning the Division title, the Cardinals were in the pennant race until the very end of the season—which proved to be one of the most exciting in the club's history.

Highlights of the year included Lou Brock's establishing a new single season major league record for stolen bases of 118, an outstanding performance by Rookie of the Year Bake McBride, and thrilling victories in extra-inning games, including a record 25-inning clash with the Mets.

Attendance in 1974 reached 1.8 million fans, third highest in club history. The Cardinals realized an after tax profit of $490,000 for the year.

Left and above top, completion of Jacksonville can manufacturing facility helps to reduce vulnerability to packaging cost fluctuations and supply problems.

The Cardinal broadcasting network includes more than 125 radio and television outlets. This network plays a significant role in the *Busch* beer marketing program. *Above lower*, Cardinal announcers Mike Shannon and Jack Buck interview superstar Lou Brock.

1974 in Review

Manufacturers Railway Co. & St. Louis Refrigerator Car Co.

Manufacturers Railway and St. Louis Refrigerator Car achieved record sales and earnings in 1974.

Manufacturers Railway Co. provides terminal railway services in St. Louis to Anheuser-Busch and other major companies, and has connections with major independent trunk railway systems. In addition, the company furnishes truck cartage and warehouse services at six Anheuser-Busch brewery locations.

St. Louis Refrigerator Car Co. repairs railroad cars on a commercial basis and operates a fleet of special railroad cars which are used to transport Anheuser-Busch beers to market.

A second railroad car repair facility, of unique geodesic dome design, was recently purchased in Wood River, Illinois. Geographically located in the hub of railroad trunkline connections, this new facility will enable the company to double its car repair capability during 1976.

The Environment

The company's commitment to the environment pre-dates the existence of recently enacted environmental protection measures.

Years ago the company installed efficient electrostatic precipitators on its remaining coal-fired boilers. Many other initiatives have been undertaken to minimize the impact of manufacturing operations on the environment. This effort continues today, with improved equipment and operating procedures further reducing waste loads and salvaging virtually all spent grains for productive use as feed stocks.

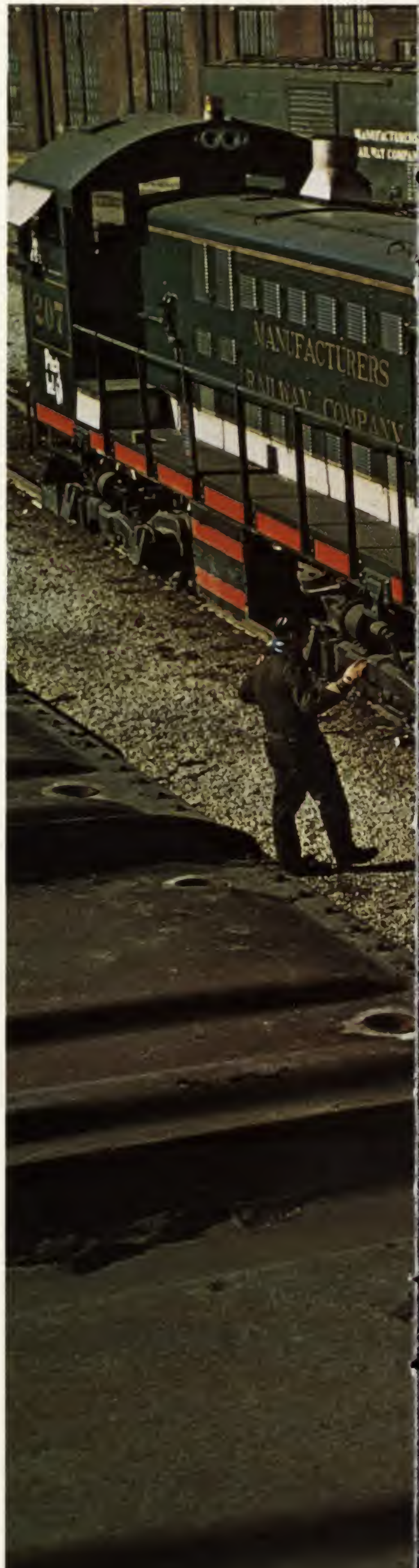
The company's leadership in seeking positive solutions to litter and solid waste was strengthened in 1974.

Anheuser-Busch provided a grant of $100,000 to the National Center for Resource Recovery Foundation, $50,000 immediately and an equal amount later, depending on matching support from other firms. The National Center for Resource Recovery, Inc. (NCRR), is a non-profit organization established in 1970 by concerned industrial and labor organizations, including our company, to stimulate the development of systematic solutions for converting solid waste into a source of raw materials and energy.

The company continues to support the United States Brewers Association's "Pitch In!" campaign. Additionally, the research into the behavioral aspects of littering, sponsored by Anheuser-Busch and other concerned corporations, has shown that litter is a solvable problem. The "Action Research Model (ARM)" has identified the seven sources of litter and demonstrated systematic programs which enable a concerned community to permanently control the problem at each source. Significant litter reductions are occurring in three test cities, and the program is being expanded to several additional locations under the auspices of Keep America Beautiful, Inc.

Employee Relations

During 1974 the company embarked on an employee communication program at each of the company's plants and beer branches. This program was designed to inform all employees of the company's current operations and future plans. The response from our employees has been encouraging and management plans to continue this program.



Left, company's Manufacturers Railroad is a mainstay of well established beer transportation system. St. Louis Refrigerator Car Company provides special rail cars that assure best conditions for beers in transit; also operates extensive repair services, *above top,* for other railroad systems.

Above lower, the Company is a prominent, active supporter of the development of systems for the recovery of raw materials and energy from solid waste. Early in 1975, Anheuser-Busch announced a commitment of $100,000 to the National Center for Resource Recovery, a non-profit organization which develops systems approach to solving solid waste problems.

Management

The continued need for immediate response to a rapidly changing business environment prompted management to review its organization. As a result, in 1974 the board of directors approved a revised corporate management structure. This structure more accurately reflects the responsibilities and information flow of the executives who operate the company while, at the same time, providing for flexibility required to deal with the rapidly changing factors that affect all Anheuser-Busch operations.

This management team represents the dynamic combination of experience, knowledge, energy and drive, necessary to achieve our corporate objective of long-term profit growth.

Top left, August A. Busch III, president, answers questions during one of the presentations he and other key management people made during 1974 to hourly and salaried employees at all breweries.

Top right, Dennis P. Long, vice president and group executive; Margaret M. Snyder, vice president - corporate promotions; and Donald S. McDonald, vice president and general counsel, study scale model of "The Old Country," Busch Gardens at Williamsburg.

Middle left, Michael J. LaMonica, vice president - beer marketing operations; John H. Purnell, vice president - beer marketing staff and Orion P. Burkhardt, vice president - marketing, brewery division, discuss market strategies.

Middle right, Barry H. Beracha, vice president - corporate planning and development; Fred L. Kuhlmann, senior vice president - administration and services; W. Robert Harrington, vice president - Industrial Products; and Jerry E. Ritter, vice president - finance and controller, review plans for a corporate development project.

Bottom left, Andrew J. Steinhubl, vice president - brewing; Milton R. Gaebler, vice president - engineering and Frank J. Sellinger, vice president and group executive, inspect miniature pilot brewery where test brews are made in company's Technical Center.

Bottom right, Melvin H. Fritz, vice president - supplies purchasing; Henry N. McCluney, vice president - operations; and Patrick T. Stokes, vice president - raw materials and transportation, inspect natural hops used in company's beers.

Financial Review: 1974

Sales and Earnings

Net sales were $1.4 billion for the year 1974, an increase of 27% over sales of $1.1 billion during 1973. Net sales of the Beer Division represented approximately 92% of consolidated net sales in 1974 and 1973.

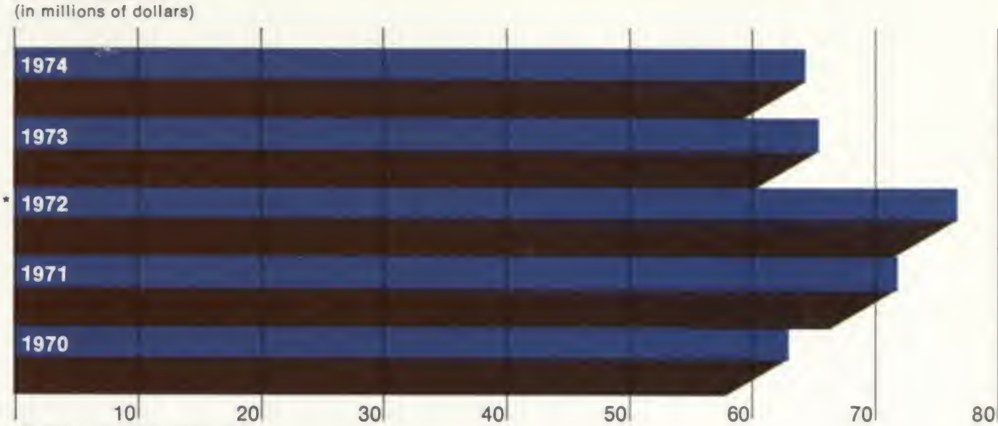
Net income for 1974 of $64.0 million, or $1.42 per share, decreased 2.4% from the results of 1973. This earnings decline is principally due to the continued high cost of agricultural products used in brewing our beers and significant cost increases for nearly all packaging materials. To offset the higher material costs we experienced, beer selling prices throughout the country were increased. However, selling price increases were not sufficient to fully offset material cost increases.

The return on average shareholders' equity for 1974 was 12% as compared with 14% for 1973. The ratio of earnings to net sales was approximately 4.5% in 1974 as compared with 5.9% in 1973.

Working Capital

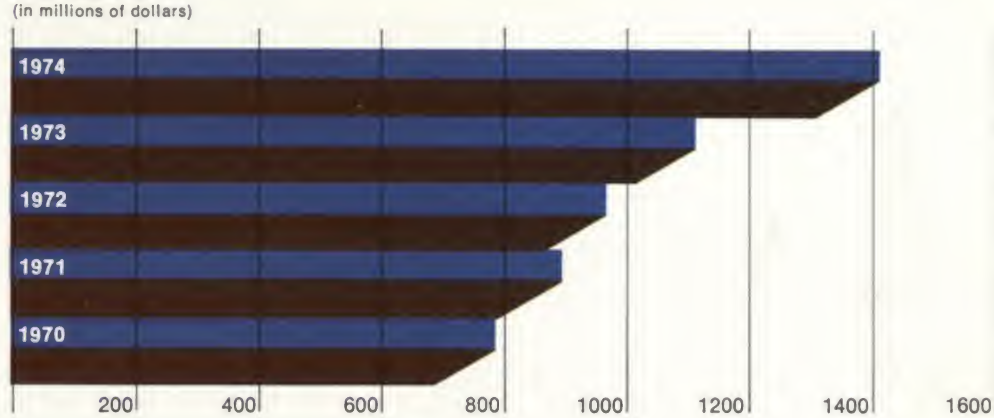
Working capital amounted to $139.3 million at December 31, 1974, an increase of $63.0 million from 1973 working capital of $76.3 million. The working capital ratio was 2.2 to 1 at December 31, 1974, and 1.8 to 1 at December 31, 1973. Cash and marketable securities were $88.6 million at December 31, 1974, compared to $60.1 million at December 31, 1973, an increase of $28.5 million. Inventories at December 31, 1974, increased $44.9 million from December 31, 1973, levels. The increase in inventories is prin-

Net Income
(in millions of dollars)



*Before extraordinary item

Net Sales
(in millions of dollars)



cipally attributable to the greater quantity and higher cost of raw materials on hand and in process.

Price Range of Common Stock

The common stock of Anheuser-Busch, Inc., is traded over-the-counter. The following table shows the high and low bid prices of the company's common stock during each quarter of 1974 and 1973 as compiled from published sources. These quotations represent prices between dealers and do not include retail mark-up, mark-down or commissions and do not necessarily represent actual transactions.

	Bid Price			
	1974		1973	
Quarter	High	Low	High	Low
First	36⅛	27½	55	49¼
Second	37⅜	29⅜	51⅝	41½
Third	38	21	48⅜	37½
Fourth	32½	21½	45⅞	28⅝

Dividends

Cash dividends paid were $27 million in 1974 and $27 million in 1973. Dividends were paid in the months of March, June, September and December of each year. The quarterly dividend rate in 1974 and 1973 was $.15 per share, resulting in an annual dividend per common share of $.60 in each year.

The company has paid cash dividends in each of the past 42 years. During this period of time, the company's stock has split five times and stock dividends were paid in 1953, 1954 and 1966.

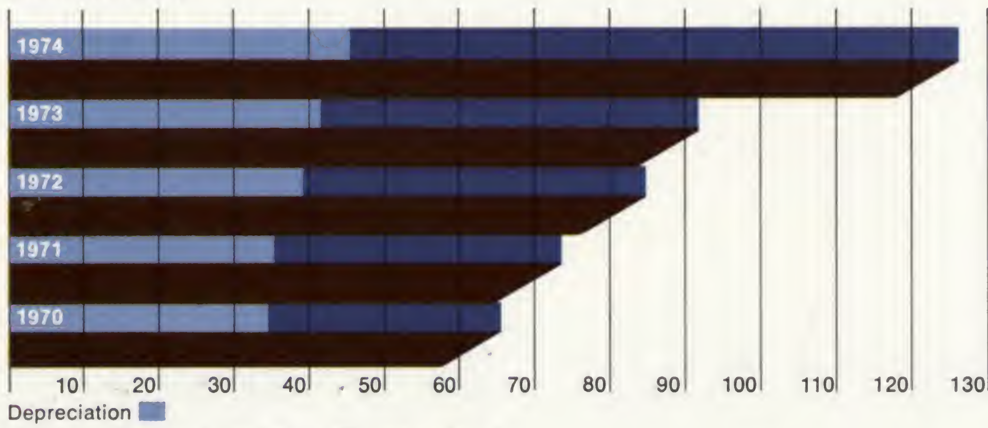
At the close of the year, shareholders numbered 30,193 compared with 29,463 at the end of 1973.

Capital Expenditures

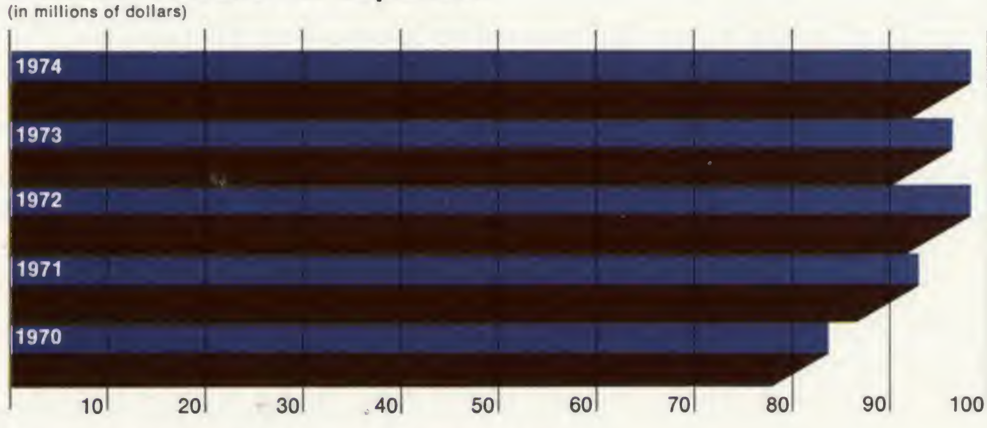
In 1974, the company embarked on a major capital expenditure program. To finance a portion of this program, $100 million of 7.95% sinking fund debentures were sold.

Capital expenditures amounted to $126.5 million in 1974 as compared

Capital Expenditures
(in millions of dollars)



Amount Provided For Expansion*
(in millions of dollars)



*Increase in retained earnings plus non-cash charges against income

with $91.8 million in 1973. In the past five years, capital expenditures have totaled $440.8 million.

Approximately $76.4 million of our 1974 capital expenditures applied to the Beer Division. Major Beer Division expenditures were for the expansion of our brewery in Jacksonville, Florida, and construction of a new brewery in Fairfield, California. Also included were expansion of beechwood chip aging capacity, and other projects to increase and promote operating efficiency at existing breweries.

The remainder of 1974 capital expenditures, or $50.1 million, were for construction of new facilities or modernization of existing facilities by our other divisions and subsidiaries. Major expenditures included construction of a new Busch Gardens in Williamsburg, Virginia, construction of a can manufacturing facility in Jacksonville, Florida, and construction of a yeast plant in Bakersfield, California.

Effective January 1, 1975, the company is adopting the straight-line method of computing depreciation for financial statement purposes on all assets placed in service on or after that date. The reason for this change in policy is the desire to conform with prevailing industry practice. This change in method is expected to have an insignificant effect on 1975 earnings.

The graph on page 20 shows capital expenditures and depreciation expense for the past five years.

Taxes

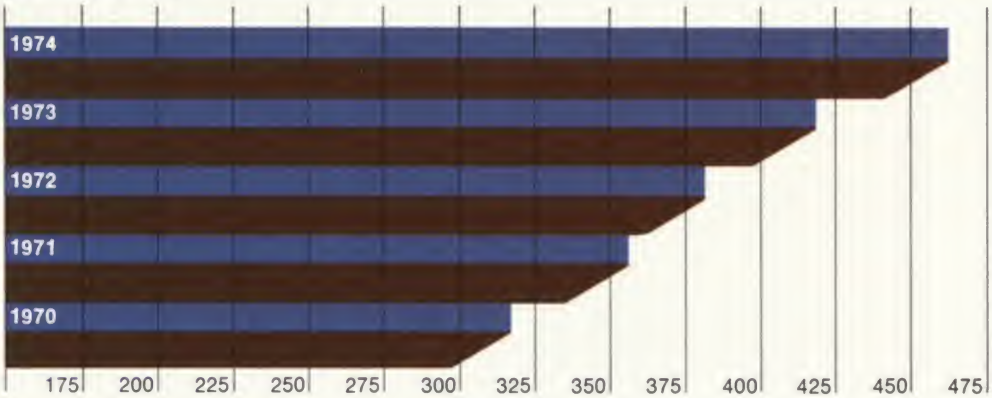
Total taxes applicable to 1974 operations (not including the many hidden taxes included in materials and services purchased) amounted to $463.5 million. Total taxes for the last five years are shown in the graph on this page.

Payroll Costs

At December 31, 1974, employment was 12,205. Salaries and wages amounted to $205.8 million. Pension, life insurance and welfare benefits aggregated $28.0 million; payroll taxes totaled $10.6 million.

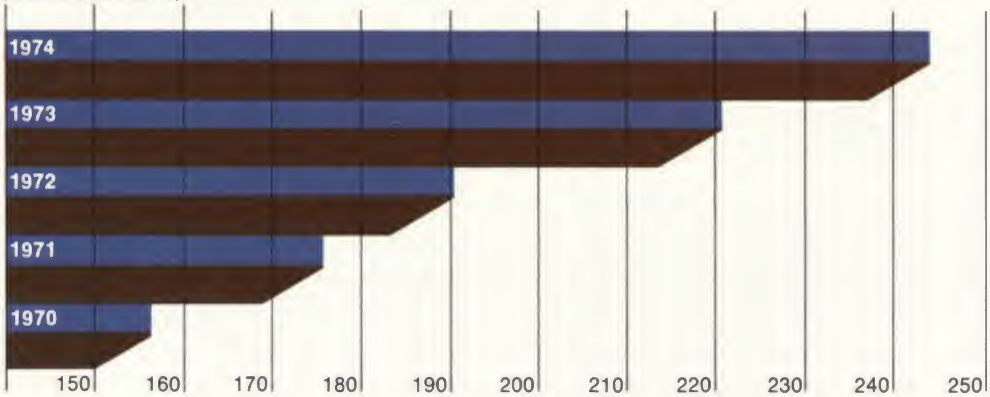
Total Taxes Paid

(in millions of dollars)



Total Payroll Cost

(in millions of dollars)



Summary of Significant Accounting Principles and Policies

This summary of significant accounting principles and policies of Anheuser-Busch, Inc., and its consolidated subsidiaries is presented to assist in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles and have been consistently followed by the company in all material respects.

Principles of Consolidation

The consolidated financial statements include the company and all its subsidiaries. Certain subsidiaries which are not an integral part of the company's primary operations are included on an equity basis.

Sales and Accounts Receivable

Sales and income are recognized at the time the product is shipped and accounts receivable are recorded at that time.

Inventories and Production Costs

Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material costs, adjusted for last-in, first-out valuation of certain raw materials. Approximately 60% and 50% of total inventories (principally brewing raw materials) at December 31, 1974, and December 31, 1973, respectively, are valued under the last-in, first-out method.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953, and on the straight-line method for property acquired prior to that date.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the balance sheet as investment properties.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred and will be recognized in the provision for income taxes at such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Expenditures Which Provide Possible Future Benefits

Plant start-up, research and development, advertising and promotional costs are charged against earnings in the year in which such costs are incurred.

Net Income Per Share of Common Stock

Net income per share of common stock is based on the average number of shares of common stock outstanding during the respective years, adjusted for stock splits and stock dividends. Shares issuable upon the exercise of stock options are excluded from the average number of shares for the computation of net income per share since their effect is not significant.

Independent Accountants Report

Price Waterhouse & Co.

ONE MEMORIAL DRIVE, ST. LOUIS, MISSOURI 63102·314·436·7800

February 10, 1975

To the Shareholders
and Board of Directors of
Anheuser-Busch, Incorporated

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1974 and 1973, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Consolidated Balance Sheet

Anheuser-Busch, Incorporated, and Subsidiaries

Assets

	December 31, 1974	December 31, 1973
	(In Thousands)	
Current Assets:		
Cash (including certificates of deposit of $48,460,000 in 1974 and $30,179,000 in 1973) (Note 2)	$ 48,984	$ 38,227
Marketable securities (short-term), at cost which approximates market	39,619	21,851
Accounts and notes receivable, less allowance for doubtful accounts of $979,000 in 1974 and $881,000 in 1973	50,955	48,004
Inventories, at lower of cost or market (Note 3) —		
Finished goods	8,364	5,528
Work in process	24,176	19,290
Raw materials and supplies	80,109	42,887
Total current assets	252,207	175,787
Investments and Other Assets:		
Investments in and advances to unconsolidated subsidiaries (Note 1)	34,510	26,864
Investment properties	8,715	8,675
Deferred charges and other non-current assets	13,066	12,668
	56,291	48,207
Plant and Equipment, at cost:		
Land	21,574	21,491
Buildings	351,598	312,530
Machinery and equipment	555,552	473,128
Construction in progress	80,456	78,082
Other real estate	2,283	2,445
	1,011,463	887,676
Less accumulated depreciation	388,587	346,440
	622,876	541,236
	$ 931,374	$765,230

The accompanying statement should be read in conjunction with the Notes To Consolidated Financial Statements appearing on pages 28 and 29 of this report.

Liabilities and Shareholders Equity

	December 31, 1974	December 31, 1973
	(In Thousands)	
Current Liabilities:		
Accounts payable	**$ 63,549**	$ 59,707
Accrued salaries and wages	**12,863**	13,032
Accrued taxes, other than income taxes	**18,701**	18,867
Estimated federal and state income taxes	**8,614**	3,038
Other current liabilities	**9,224**	4,882
Total current liabilities	**112,951**	99,526
Long-Term Debt (Note 4):		
4¾% notes payable maturing 1975	**—**	128
3⅜% debentures maturing 1976 and 1977, less $1,512,000 in treasury in 1974 and $2,956,000 in 1973	**1,453**	1,499
4½% debentures maturing 1976 to 1989, less $5,692,000 in treasury in 1974 and $7,592,000 in 1973	**21,008**	21,008
5.45% debentures maturing 1976 to 1991, less $5,570,000 in treasury in 1974 and $7,770,000 in 1973	**28,430**	28,430
6% debentures maturing 1977 to 1992, less $2,251,000 in treasury in 1974 and $4,951,000 in 1973	**42,349**	42,349
7.95% debentures maturing 1985 to 1999	**100,000**	—
	193,240	93,414
Accumulated Deferred Income Taxes	**66,264**	54,281
Accumulated Deferred Investment Tax Credit Being Amortized	**21,157**	17,225
Shareholders Equity (Notes 5 and 6):		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,608,283 shares	**45,608**	45,608
Capital in excess of par value (principally arising from stock dividends)	**57,957**	57,957
Retained earnings	**437,409**	400,431
	540,974	503,996
Less cost of 540,388 shares of treasury stock	**3,212**	3,212
	537,762	500,784
	$931,374	$765,230

Consolidated Statement of Income and Retained Earnings

Anheuser-Busch, Incorporated, and Subsidiaries	1974	1973
	(In Thousands)	
Sales	$1,791,863	$1,442,720
Less federal and state beer taxes	378,772	333,013
Net Sales	1,413,091	1,109,707
Costs and Expenses (Notes 7 and 8):		
Cost of products sold	1,187,816	875,361
Marketing, administrative and general expenses	106,653	112,928
	1,294,469	988,289
	118,622	121,418
Other Income and Expenses:		
Interest income	9,925	4,818
Interest expense	(11,851)	(5,288)
Purchase discounts, other income and expenses, net	4,840	5,287
Income before Income Taxes	121,536	126,235
Provision for Income Taxes (Note 9):		
Current	41,602	44,978
Deferred	15,915	15,680
	57,517	60,658
Net Income (per share: 1974—$1.42; 1973—$1.46)	64,019	65,577
Retained Earnings at Beginning of Year	400,431	361,891
	464,450	427,468
Cash Dividends, $.60 per share in 1974 and $.60 per share in 1973	27,041	27,037
Retained Earnings at End of Year	$ 437,409	$ 400,431

The accompanying statements should be read in conjunction with the Notes To Consolidated Financial Statements appearing on pages 28 and 29 of this report.

Consolidated Statement of Changes in Financial Position

Anheuser-Busch, Incorporated, and Subsidiaries	1974	1973
	(In Thousands)	
Financial resources were provided by:		
Operations —		
Net income for the year	$ 64,019	$ 65,577
Charges to income not involving working capital —		
Depreciation	45,042	41,059
Deferred income taxes	11,983	12,825
Deferred investment tax credit	3,932	2,855
Other, net	158	359
Working capital provided by operations	125,134	122,675
Sale of common stock under stock option plans	—	264
Proceeds from sale of 7.95% debentures	100,000	—
	225,134	122,939
Financial resources were used for:		
Capital expenditures	126,463	91,801
Cash dividends paid	27,041	27,037
Reduction in long-term debt	174	5,693
Increased investment in unconsolidated subsidiaries, excluding transfers of land in the amounts of $30,000 and $134,000 respectively	7,616	5,579
Other, net	845	1,298
	162,139	131,408
Increase (Decrease) in working capital	$ 62,995	$ (8,469)

Analysis of Changes in Working Capital

Increase (decrease) in current assets:		
Cash	$ 10,757	$ (3,142)
Marketable securities	17,768	(5,597)
Accounts and notes receivable	2,951	9,906
Inventories	44,944	8,643
	76,420	9,810
Decrease (increase) in current liabilities:		
Accounts payable	(3,842)	(25,732)
Accrued salaries and wages	169	(4,129)
Accrued taxes, other than income taxes	166	5,845
Estimated federal and state income taxes	(5,576)	3,996
Other current liabilities	(4,342)	1,741
	(13,425)	(18,279)
Increase (Decrease) in working capital	$ 62,995	$ (8,469)

Notes to Consolidated Financial Statements

Note 1: Accounting Principles and Policies

Certain information relative to significant accounting policies is presented on page 22 of this report.

Note 2: Credit Agreement

In June, 1974, the company entered into a $125,000,000 revolving credit agreement with sixteen banks for the period June 28, 1974, to December 31, 1976. Interest on any borrowings the company might choose to make would be at the prime rate during that period. The company has agreed to pay a fee of ½ of 1% per annum on the unused portion of the commitment. Total commitment fees paid on the unused line of credit amounted to $320,000 for 1974.

Any outstanding borrowings under the agreement at December 31, 1976, would be repaid over the six-year period commencing August 31, 1978, with the final payment on May 31, 1984. Outstanding borrowings during that period would bear interest at rates varying from ¼% to ¾% above the prime rate.

Since the effective date of the agreement, the company has maintained compensating balances with the banks in the aggregate amount of $12,500,000. No funds were borrowed from the banks during 1974.

Note 3: Inventory Valuation

Approximately 60% and 50% of total inventories at December 31, 1974, and December 31, 1973, respectively are stated on the last-in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31, 1974, and December 31, 1973, total inventories would have been $34,853,000 and $25,874,000 higher, respectively.

Note 4: Debenture Financing

In February, 1974, the company sold $100,000,000 of 7.95% sinking fund debentures, due February 1, 1999. These debentures mature annually from 1985 through 1999.

Note 5: Stock Options

Under a stock option plan adopted by the shareholders in 1967, 1,810,177 shares of common stock were reserved at December 31, 1974, for issuance to officers and key employees. No options were outstanding at December 31, 1974, since the reremaining options granted under this plan expired in 1973. During 1973, options covering 7,774 shares were exercised at a price of $34.06 per share.

Proceeds from the sale of common stock under the plan totaled $264,000 in 1973, of which $257,000, representing the excess of option prices over par value, was credited to capital in excess of par value.

Note 6: Retained Earnings Restriction

The indentures under which the company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1974, were restricted to the extent of $57,007,000 against the payment of cash dividends.

Note 7: Pension Plans

The company has several pension plans covering substantially all of its employees. The total pension expense was $16,999,000 in 1974 and $15,248,000 in 1973. Salaried employees are covered under a trusteed pension plan with unfunded prior service cost amounting to $5,963,000 at December 31, 1974. Pension plans have been adopted for hourly paid employees under agreements with the unions representing such employees. Obligations for contributions under these plans are based on a defined contribution per employee in accordance with the various labor agreements. The company follows the policy of funding all pension costs accrued.

As a result of the Employee Retirement Income Security Act of 1974, it will be necessary for the company to amend the salaried employee pension plan. It is estimated that such amendments will result in an increase in pension expense of approximately $700,000 beginning in 1976. The effect of the Employee Retirement Income Security Act on pension plans for hourly paid employees will be dependent upon negotiations of new agreements covering these employees when current agreements expire.

Note 8: Depreciation and Rent Expense

The provision for depreciation amounted to $45,042,000 in 1974 and $41,059,000 in 1973. Rent expense amounted to $9,447,000 in 1974 and $7,341,000 in 1973.

Note 9: Income Taxes

The provision for income taxes for the years ended December 31, 1974 and 1973, includes the following:

	1974	1973
	(In Thousands)	
Current tax provision:		
Federal	**$37,901**	$41,303
Other	**3,701**	3,675
	41,602	44,978
Deferred tax provision:		
Federal	**11,140**	11,965
Other	**843**	860
	11,983	12,825
Deferred investment tax credit:		
Reduction in current taxes payable	**5,961**	4,807
Less amortization of deferred investment tax credit	**2,029**	1,952
	3,932	2,855
Total	**$57,517**	$60,658

The Internal Revenue Service has examined and cleared federal income tax returns of the company for years through 1971.

Note 10: Commitments and Contingencies

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures totaling about $157,660,000 at December 31, 1974.

Obligations under long-term leases are considered to be not material.

In July, 1971, Pearl Brewing Company and seven of its distributors filed suit against the company and Jos. Schlitz Brewing Company alleging violations by the company of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs and reasonable attorneys' fees. On February 9, 1972, the U. S. District Court denied the plaintiffs' requests for a preliminary injunction and for a summary judgment. The case is still to be tried on the merits.

In June, 1972, Southtown Liquor, Inc., and Country Village Liquor, Inc., filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees and the denial of the company's right to continue to do business in the State of Minnesota. The question of whether the suit is a proper class action is yet to be decided.

In July, 1972, the Village of Eden Valley, Minnesota, filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees and the denial of the company's right to do business in the State of Minnesota. The question of whether the suit is a proper class action is yet to be decided.

In October, 1972, Grain Belt Breweries, Inc., filed suit against the company, Jos. Schlitz Brewing Company, one of the company's wholesalers and two Jos. Schlitz wholesalers alleging violations by the defendants of the federal antitrust laws and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs and reasonable attorneys' fees. The case is still to be tried on the merits.

In July, 1974, Duke & Company, Inc., filed suit against the company and one of its distributors alleging violations of the federal antitrust laws and seeking treble damages (which at this time are unspecified as to amount), costs and reasonable attorneys' fees. The case is still to be tried on the merits.

The company denies the charges in all of the foregoing cases and is engaged in defending against them. The company was defendant in certain other lawsuits on December 31, 1974, the ultimate outcome of which cannot be determined at this time. In the opinion of management, the company's liability, if any, under any pending litigation would not materially affect its financial condition.

Ten-Year Financial Summary

(In Thousands)

Anheuser-Busch, Incorporated, and Subsidiaries

Sales and Earnings	**1974**	1973	1972
Net sales	**$1,413,091**	$1,109,707	$977,500
Cost of products sold	**1,187,816**	875,361	724,718
Marketing, administrative and general expenses	**106,653**	112,928	108,008
Interest income	**(9,925)**	(4,818)	(3,299)
Interest expense	**11,851**	5,288	6,041
Other income, net	**(4,840)**	(5,287)	(4,855)
	121,536	126,235	146,887
Income taxes	**57,517**	60,658	70,487
Income before extraordinary item	**64,019**	65,577	76,400
Extraordinary item (1)			4,093
Net income	**64,019**	65,577	72,307
Per share (2)			
Income before extraordinary item	**1.42**	1.46	1.70
Net Income	**1.42**	1.46	1.61
Cash dividends paid	**27,041**	27,037	26,109
Cash dividends per share (2)	**.60**	.60	.58
Average number of shares outstanding (2)	**45,068**	45,063	45,020
Balance Sheet Information			
Working capital	**139,256**	76,261	84,730
Plant and equipment, net	**622,876**	541,236	491,671
Long-term debt	**193,240**	93,414	99,107
Deferred income taxes	**66,264**	54,281	41,456
Deferred investment tax credit	**21,157**	17,225	14,370
Shareholders equity	**537,762**	500,784	461,980
Other Information			
Capital expenditures	**126,463**	91,801	84,217
Depreciation	**45,042**	41,059	38,970
Total payroll cost	**244,437**	221,049	190,517
Barrels sold	**34,097**	29,887	26,522

(1) In December 1972, the company decided to close a portion of the Houston Gardens and convert the remainder to a sales promotion facility. Closing of a portion of the Gardens resulted in an extraordinary after tax charge against 1972 earnings of $4,093,000, or $.09 per share, net of applicable income tax benefits of $4,006,000.

(2) Per share statistics have been adjusted to give effect to the two-for-one stock split and 10% stock dividend in 1965 and the two-for-one stock splits in 1968 and 1971.

1971	1970	1969	1968	1967	1966	1965
$902,453	$792,777	$666,609	$652,707	$554,880	$485,063	$427,698
658,886	579,372	490,932	477,184	408,059	351,598	309,141
108,087	92,660	84,113	82,472	78,766	70,581	68,300
(3,102)	(3,715)	(3,604)	(3,760)	(2,315)	(3,615)	(2,105)
6,597	7,104	7,401	7,664	5,985	4,285	2,335
(4,065)	(3,420)	(5,171)	(3,515)	(2,765)	(1,273)	(1,131)
136,050	120,776	92,938	92,662	67,150	63,487	51,158
64,412	58,227	47,627	48,028	30,955	29,860	24,426
71,638	62,549	45,311	44,634	36,195	33,627	26,732
71,638	62,549	45,311	44,634	36,195	33,627	26,732
1.60	1.40	1.02	1.00	.82	.76	.61
1.60	1.40	1.02	1.00	.82	.76	.61
23,784	18,991	17,843	16,117	13,146	10,806	9,491
.53	.425	.40	.363	.30	.25	.22
44,887	44,686	44,616	44,457	44,237	44,057	43,920
87,662	80,430	76,950	89,829	104,252	85,989	81,926
453,647	416,660	387,422	351,537	306,476	244,883	174,902
116,571	128,080	134,925	142,720	147,898	99,293	53,497
34,103	27,274	23,212	18,149	14,191	9,149	6,604
14,276	13,563	12,577	10,790	8,823	4,356	2,447
413,974	358,476	314,121	285,318	255,359	231,438	207,376
73,214	65,069	66,396	76,457	85,415	89,671	47,953
34,948	33,795	30,063	27,578	23,524	18,955	16,102
176,196	156,576	133,872	132,653	119,331	101,512	92,625
24,309	22,202	18,712	18,393	15,535	13,575	11,841

Management's Discussion and Analysis of Operations

The following explanatory comments should be read in conjunction with the consolidated sales and earnings information appearing in the Ten Year Financial Summary on pages 30 and 31 of this report.

Net Sales

Anheuser-Busch, Inc., has experienced consistent growth in both dollar and beer volume sales during the ten year period 1965 - 1974. The growth in sales dollars over the years is related principally to growth in Beer Division sales volume. The compounded annual beer sales volume growth for the past ten years is 13%.

In 1974, net sales dollars of the Beer Division were approximately 92% of consolidated net sales. The portion of consolidated net sales represented by the Beer Division in 1973 and prior years approximated the 1974 level.

During the years 1965 - 1970, price increases for beer averaged approximately 2% per year. From 1971 through 1973, increases in beer selling prices were constrained by competitive pressures and price control regulations under the Economic Stabilization Program. Price increases for beer in 1974 were unprecedented and approximated the inflationary rate for all consumer goods. These price increases were implemented in an attempt to recover the significantly higher costs which the company incurred in 1972, 1973 and 1974. Price increases implemented during 1974 were not sufficient to totally achieve this objective.

Sales volume growth for the year 1969 was much less than in preceding or subsequent years. This lower sales volume growth was caused by labor difficulty which resulted in a five-week nationwide shutdown of the company's brewing plants and lost beer sales approximating 2.0 million barrels.

Cost of Products Sold and Other Operating Expenses

The year-to-year dollar increase in cost of products sold during the period 1965 - 1972 is principally related to beer sales volume increases. While unit production costs increased during this period, such increases were tempered by improvement in productivity. Also during the period, production cost as a percent of sales remained relatively constant.

The increase in cost of products sold for the years 1973 and 1974 are attributed to two principal factors — beer sales volume increases and significantly higher cost levels for agricultural products and packaging materials. In 1973, the cost of agricultural products used in brewing increased to record high levels. During 1974, the company experienced further increases in the cost of agricultural products and incurred abnormally high packaging material cost increases. Due to competitive constraints and, until April 1, 1974, governmental regulations on pricing, the company was unable to totally pass on these cost increases in the form of price increases. Consequently, cost of products sold as a percentage of sales in 1973 increased to 79% from the 74% level experienced in 1972. In 1974, cost of products sold as a percentage of sales was 84%.

Summarized below are certain items of expense included in cost of products sold and marketing, administrative and general expense, the changes in which affected earnings for the years 1973 - 1974:

	1974	1973	1972
	(In Thousands)		
Maintenance & Repairs	$62,880	$53,715	$48,394
Depreciation	45,042	41,059	38,970
Taxes (other than income and beer excise taxes)	27,229	24,139	20,791
Advertising Costs	31,807	36,520	40,081

The increase in maintenance and repairs is related principally to the addition and/or expansion of production facilities, increased utilization of facilities associated with higher sales volume, higher labor costs arising out of labor agreements reached in 1973, and significantly higher costs of material caused by inflation.

The year-to-year increase in depreciation expense is related to the company's capital expenditure program for new facilities, for expansion of existing facilities, and for further improvement in operating efficiency.

Higher required contributions for social security taxes and additional real estate and property taxes are the principal factors causing the increased 1973 and 1974 expense for taxes (other than income and beer excise taxes). Contributions for social security taxes increased as a result of an increase in the 1973 contribution rate, an increase in the taxable income base for 1973 and 1974, and higher employment levels associated with greater sales and production volumes. The increase in expenditures for real estate and property taxes is related to plant and equipment additions under the company's capital expenditure programs.

During the last half of 1973 and throughout much of 1974, the company experienced product shortages caused by unprecedented demand for its major brands. These shortages caused the company to re-evaluate marketing plans which brought about a decision, in the third quarter of 1973, to cease production and sale of Budweiser Malt Liquor. This decision resulted in reduced advertising expenditures for 1973 and 1974. The company further decided, that in the face of product shortages, advertising concentration could be somewhat curtailed but effectiveness maintained through programs designed to generate more efficient coverage.

Interest Income and Interest Expense

The increase in 1973 interest income over 1972 is principally attributable to a general increase in average interest rates. This high level of interest rates continued throughout 1974.

In February, 1974, the company issued $100 million of 7.95% debentures to finance its capital expenditure program. A large part of the proceeds from the debenture sale was available for investment in short-term securities during most of 1974.

The increase in interest expense for 1974 is totally related to the 7.95% debentures issued during the year.

Directors

August A. Busch, Jr.
Chairman of the Board and Chief Executive Officer, Anheuser-Busch, Incorporated

August A. Busch III
President, Anheuser-Busch, Incorporated

M. R. Chambers
Chairman of the Board and Chief Executive Officer, Interco Incorporated, a shoe and apparel manufacturer and retailer and general retail merchandiser

Edwin S. Jones
President and Chief Executive Officer, First Union, Incorporated, a multi-bank holding company

John F. Krey II
Chairman of the Board and President, Krey Packing Company, production and sale of meat products

Fred L. Kuhlmann
Senior Vice President—Administration and Services, Anheuser-Busch, Incorporated

J. W. McAfee
Chairman of Executive Committee, Union Electric Company, a public utility

James B. Orthwein
President and Co-Chief Executive Officer, D'Arcy-MacManus & Masius, Inc., a general advertising agency

W. R. Persons
Chairman—Executive and Finance Committees, Emerson Electric Company, manufacture and sale of electrical and electronic equipment

Walter C. Reisinger
Private Investments

Frank H. Schwaiger
Consultant to Anheuser-Busch, Incorporated

Ethan A. H. Shepley
Of Counsel to Bryan, Cave, McPheeters & McRoberts, Attorneys At Law

A. vonGontard
Vice Chairman of the Board, and consultant to the Company

Fred W. Wenzel
Chairman of the Board and President, Kellwood Company, manufacture of recreation equipment, home fashions and apparel

John L. Wilson
Chairman of Finance Committee, Anheuser-Busch, Incorporated

Officers

August A. Busch, Jr.
Chairman of the Board and Chief Executive Officer

August A. Busch III
President

Fred L. Kuhlmann
Senior Vice President—Administration and Services

Henry N. McCluney
Vice President—Operations

Frank J. Sellinger
Vice President and Group Executive—Engineering, Supplies Purchasing and Can Manufacturing

Orion P. Burkhardt
Vice President—Marketing, Brewery Division

Dennis P. Long
Vice President and Group Executive—Industrial Products and Busch Gardens Divisions, Busch Properties, Inc.

Jerry E. Ritter
Vice President—Finance and Controller

Andrew J. Steinhubl
Vice President—Brewing

Barry H. Beracha
Vice President—Corporate Planning and Development

Patrick T. Stokes
Vice President—Raw Materials and Transportation

Melvin H. Fritz
Vice President—Supplies Purchasing

Donald S. McDonald
Vice President and General Counsel

Milton R. Gaebler
Vice President—Engineering

Michael J. LaMonica
Vice President—Beer Marketing Operations

John H. Purnell
Vice President—Beer Marketing Staff

W. Robert Harrington
Vice President—Industrial Products Division

Margaret M. Snyder
Vice President—Corporate Promotions

John L. Hayward
Secretary and Treasurer

R. A. Rawizza
Tax Controller

Osmond Conrad
Assistant Controller

Knut C. Heise
Assistant Secretary

Richard A. Schwartz
Assistant Secretary

H. F. Suellentrop
Assistant Treasurer

St. Louis Transfer Agent:
St. Louis Union Trust Company
510 Locust Street, St. Louis, Missouri 63101

St. Louis Registrar:
Mercantile Trust Company
National Association
721 Locust Street, St. Louis, Missouri 63101

New York Transfer Agent:
Chemical Bank
20 Pine Street, New York, New York 10015

New York Registrar:
Morgan Guaranty Trust Company
of New York
30 West Broadway, New York, New York 10015

Breweries:
St. Louis, Newark, Los Angeles, Tampa, Houston, Columbus, Jacksonville, Merrimack and Williamsburg

Corn Refining Plant:
Lafayette, Indiana

Yeast Plants:
St. Louis, Old Bridge, New Jersey and Bakersfield, California

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